

# The Ultimate Small Business Weapon

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**A**s the owner of a small or mid-sized company in a global marketplace, you have unique business challenges: attracting and retaining a quality staff...processing payroll and paperwork...administering employee benefits and insurance...complying with government regulations...maintaining a safe worksite...these are all critical issues that confront entrepreneurs on a daily basis, distracting you from the most important task of all: *growing and enjoying your business.*

Today, business owners are taking back their dreams—and their lives—by enlisting the help of Professional Employer Organizations (PEOs). According to the National Association of Professional Employer Organizations (NAPEO), about 150,000 U.S. companies currently use PEOs, and the numbers are growing at about 30% annually. Most PEO clients are small to medium-sized firms with 10 to 100 employees, although many larger and smaller companies are benefiting from PEO relationships as well.

As their name suggests, PEOs are “professional employers.” They specialize in the non-revenue-producing tasks that all employers *must* do, but few enjoy or have training in. The PEO solution goes far beyond the common practice of outsourcing payroll. It provides what is essentially an off-site, full service Human Resources Department to handle payroll and taxes, benefits, workers’ compensation, government compliance, risk management, HR, and more. Functioning as co-employer, the PEO shares both legal responsibility and potential liability for employee management—an attractive feature when you consider that, according to *Preventive Strategies* newsletter (8/97), a staggering *six out of ten business owners will be sued in an employment-related claim within the next five years.*

## Safeguarding Your Business

According to the Washington Post, an alarming 60 percent of U.S. employers were defendants in employment practices lawsuits between 1993 and 1998. The Insurance Information Institute reports that employee discriminatory claims nearly quadrupled during the same period. And, thanks to the lowest unemployment rates in recent history, recruiting and retaining quality employees is among the greatest concerns of small business owners.

Discrimination and wrongful termination settlements averaging in the six-figure range and OSHA violation fees of up to \$70,000 can be devastating to a smaller firm. PEO clients can reduce these risks by having direct access to a team of human resource, safety and legal professionals—just as the Fortune 500 do. So partnering with a PEO isn’t just about hiring a company to manage your administrative employer tasks. It’s about *safeguarding your business.*

## The Benefits of Outsourcing

What does a business that outsources to a PEO look like? The following are just some of the benefits reported by PEO clients:

- **They are able to attract and retain more highly qualified employees**, thanks to a benefits package that rivals those of their largest competitors. Standard PEO benefits include 401(k) plans, medical/dental/vision insurance programs, life insurance, credit union membership, entertainment discounts, employee handbooks and orientations, and an expert HR staff to answer questions and administer the program. Insurance premiums often drop substantially, due to the large-volume buying power of PEOs.
- **They maintain full control of their employees and their business.** They still determine work schedules and job duties, decide who will be hired, promoted and/or terminated, conduct performance evaluations, set pay and benefit levels, and provide day-to-day management.
- **Business owners have the peace of mind** that comes from knowing that they are in careful compliance with a laundry list of federal, state and local government regulations—without even having to think about it. Employee payroll and taxes are completed accurately and on time. The potential for employee lawsuits is reduced.
- **The workplace environment is safer**, thanks to a professional risk management program that includes safety training. Worker's compensation claims and OSHA citations are significantly reduced.
- **Non-revenue-producing administrative costs are measurable and controlled**, with many companies recognizing a savings of thousands of dollars in operating expense. While PEO costs typically run 4-6% of payroll, the Small Business Administration and U.S. Chamber of Commerce both estimate typical employment administrative costs at 8-12% of payroll.
- Perhaps most importantly, **business owners who outsource to PEOs gain an average of 30% more time** to focus on the activities they really enjoy, activities that will help grow their business into the company of their dreams. Their vision—and their lives—are restored, and they can pursue both with renewed enthusiasm and complete peace of mind.

In just a few short weeks, all the administrative headaches of being an employer can be a distant memory, simply by partnering with a reputable PEO. Of course, when you're putting your employees in someone else's hands, *reputable* is the operative word. (For help in selecting a qualified Professional Employer Organization, see our article entitled, "Guidelines for Selecting a PEO.")

## Good News for Employees

Some employers are concerned about how their employees will react to outsourcing. But a well-run PEO can not only make the transition virtually seamless, it can also make the business owner look like a hero to his or her staff.

When Chris Boulter, president of Val-Chris Investments in Irvine, contracted with a local PEO for his 15-person trust deed loan company in 1997, his employees were pleased. "I see (the PEO) as a great thing," reported receptionist Terri Keyser. "I'm very happy with it. I've always had good service." Terri's husband also works for Val-Chris, and the couple had no medical benefits prior to the PEO relationship. "I really have to thank Chris for doing this for all the employees," Terri added. "He's a great boss! It's been an absolutely positive thing for me."

Employees at HydroCal, a Laguna Hills manufacturer of waste water systems, already had insurance when president Don Meylor decided to partner with a PEO last summer. What they lacked, however, was specialized human resources expertise.

Julie Schulz, the company's advertising director, felt it was a smart move from the moment she heard the announcement. "I thought, that's great—we'll have somebody who really understands all this!" she explained. Schulz found the change to be painless and positive. "There was really no hassle to us, the employees, in changing over," she said. "In comparison to what we were doing before, with the staff trying to take care of HR, benefits, payroll and so forth, we get our questions answered a lot more quickly. It's very helpful that we can rely on them."

HydroCal employees were pleased to discover that, in most cases, they could continue seeing their current doctors due to the wide variety of health insurance plans offered by their PEO. Most continued their existing coverage, while adding some benefits not previously offered. "The 401(k) and 24 Hour Fitness membership are two (new PEO benefits) that I took advantage of," said Schulz.

For employees, a skilled PEO can deliver improved communications, clarified employment policies, a safer work environment, timely and accurate payroll, easy access to human resource and employment law experts, and a comprehensive package of benefits—not to mention a more relaxed boss. That, in turn, translates to a happier, healthier, more loyal staff.

"The employees like that they can rely on having a phone number to call for the information they need, and a person they have a relationship with," explains Michelle Sentance, HydroCal's administrative director. "I think it's been a great experience."